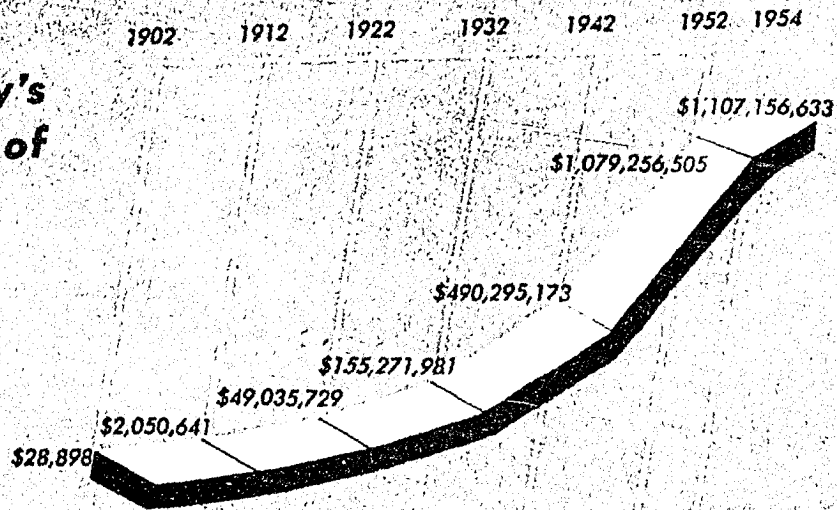


J. C. Penney Company • Annual Report • 1954

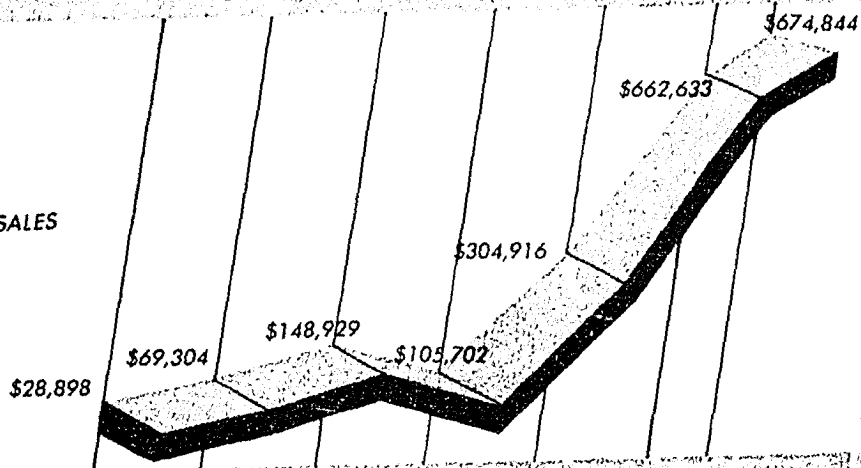


Penney's record of growth

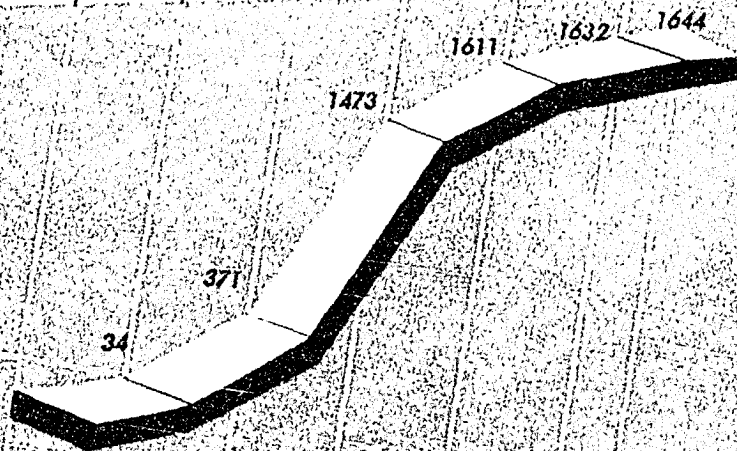
IN TOTAL SALES



IN AVERAGE SALES
PER STORE



IN NUMBER
OF STORES



Comparisons

Highlights of Penney's Results
for 1954 Compared with 1953

	1954	1953
Stores	1644	1634
Sales	\$1,107,156,633.36	\$1,109,507,674.95
Average sales per store (full year)	674,844.82	680,511.23
Net earnings	43,616,938.03	38,472,932.87
Earnings per share	5.30	4.67
Taxes—federal, state and local	54,596,983.95	64,750,062.25
Taxes per share	6.63	7.87
Dividends	\$28,811,832.00	28,811,832.00
Dividends per share	3.50	3.50
Earnings retained for reinvestment in the business	14,805,106.03	9,661,100.87
Inventories	142,478,192.61	142,852,863.26
Stockholders' equity	230,450,398.10	215,645,292.07
Stockholders	29,421	29,568

To the Stockholders:

On the preceding page are the highlights of J. C. Penney Company operations in 1954. Detailed figures are shown in the balance sheet and earnings statements.

I would like to begin by congratulating the people responsible for these results. Sales of over one billion, one hundred million dollars in cash do not just happen these days. During 1954 the thousands of vendors who supply Penney merchandise again did an outstanding job. Our 60,000 Penney associates did an excellent job in maintaining our stores' reputation for service to customers. Millions of American families gave practical recognition to Penney quality and low prices.

Sales

Sales for 1954 totaled \$1,107,156,633.36 compared with \$1,109,507,674.95 in 1953, a decrease of 00.21%. Retail buying was down generally early in the year and 1954 started off slowly. The first six months' sales were nearly fourteen million dollars under those of 1953. In the last quarter of the year substantial increases wiped out most of this loss. December sales were the largest of any month in the Company's history.

Financial Position and Inventory

The Company maintained its strong financial position. Cash and short-term Government securities held on December 31st amounted to \$166,368,312.89. The comparable figure on December 31st, 1953 was \$164,697,734.42. Merchandise investment in the stores was soundly controlled throughout the year. This was a noteworthy achievement on the part of our 1644 managers, who are largely responsible for this result. Total merchandise investment at year-end was \$142,478,192.61, valued on the basis of cost or market, whichever was lower. This figure was in line with the going rate of business and with projected sales.

Earnings, Taxes, Dividends

Net earnings for 1954 amounted to \$43,616,938.03, or \$5.30 per share on the 8,231,952 shares of common stock outstanding. This compares with \$38,472,932.87, or \$4.67 per share in 1953. Dividends were declared at the rate of \$3.50 per share. The Company has no outstanding bank loans, notes or preferred stock. Out of earnings in 1954, \$6.63 per share was paid or set aside for taxes, and \$1.80 per share was retained for reinvestment in the Company's operations.

J. C. Penney Company Building & Realty Corporation

As you will note later in this report, the Company has liquidated the J. C. Penney Company Building & Realty Corporation. This wholly owned subsidiary was established about thirty years ago, when our present office building was erected on 34th Street, New York. This Corporation also owned the three warehouses operated by the Company, two of which were discontinued. Since a separate corporation served no further purpose, its assets and liabilities were transferred to the J. C. Penney Company as of November 30, 1954.

In 1953 the Company's New York warehouse was closed and the building sold in 1954. The Company's St. Louis warehouse was closed and is being offered for sale. Discontinuance of these two warehouses has resulted in anticipated economies and greater efficiency in certain phases of our operation.

New Stores, Alterations, Improvements

During the year 18 Penney stores were opened in new locations. Eight smaller stores were closed. The number of new stores opened was fewer than had been anticipated in earlier planning for 1954. This was due to unavoidable construction delays particularly in shopping centers where several units were being built at the same time for different companies. Most of these stores

will be in operation early in 1955. Twenty-eight established stores were relocated in new buildings, and 106 others were improved or enlarged.

Career Opportunities In Retailing At Penney's

The Penney Company has always regarded its associates as its greatest asset. Careful selection of personnel, intensive training, earnings dependent on results of individual efforts through profit-sharing and promotion from within have built this organization. Each year the Company recruits exceptional prospects from colleges and universities, and young men and women with some selling experience. The Penney Company offers attractive opportunities to qualified young people wanting a career with a future. Any Penney manager, or the Personnel Department in our New York Office, will be happy to discuss retailing as a career with those you may wish to suggest.

Outlook

Our country is surging with growth. Our standard of living is rising; national income is rising. Families are growing in number and size. In this atomic age, American science and industry are surpassing all past achievements. Social and technological changes are producing ever-changing patterns of taste and living. The Penney Company's plans for growth are geared to these changes and to the country's ever-quickenning pace.

March 1, 1955

A. W. Hughes

President

Annual Meeting Announcement

The annual meeting of stockholders will be held April 20th, 1955. You are cordially invited to attend. A proxy statement, including a request for proxies, will be mailed to stockholders on or about March 18th, 1955. Your prompt attention to the proxy statement and proxy will be appreciated.



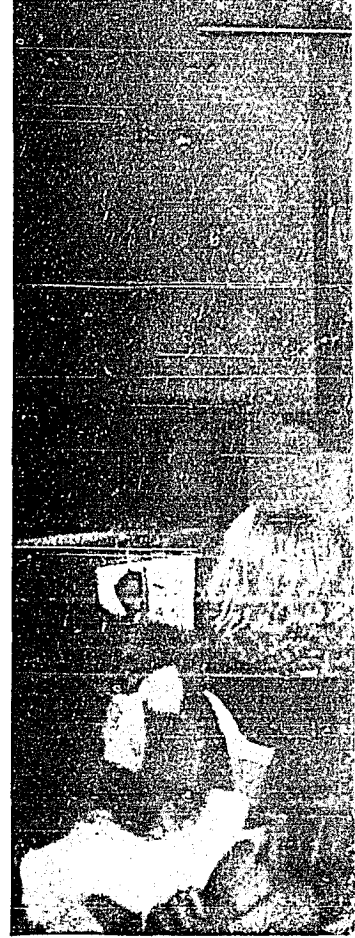
West Coast Offices Move to Larger Quarters

Symbolic of the Company's continued growth is the recent move of the West Coast buying offices to larger quarters. They now occupy the entire third floor of the new Tishman building at 3460 Wilshire Boulevard, Los Angeles. Centrally located, the new offices are staffed by approximately twenty-five buyers, four Real Estate department field men, two district managers. The West Coast is becoming an increasingly important source of supply, particularly of men's and women's apparel—notably sportswear—and home furnishings. Penney's first West Coast buying office, opened many years ago, had a staff of one!

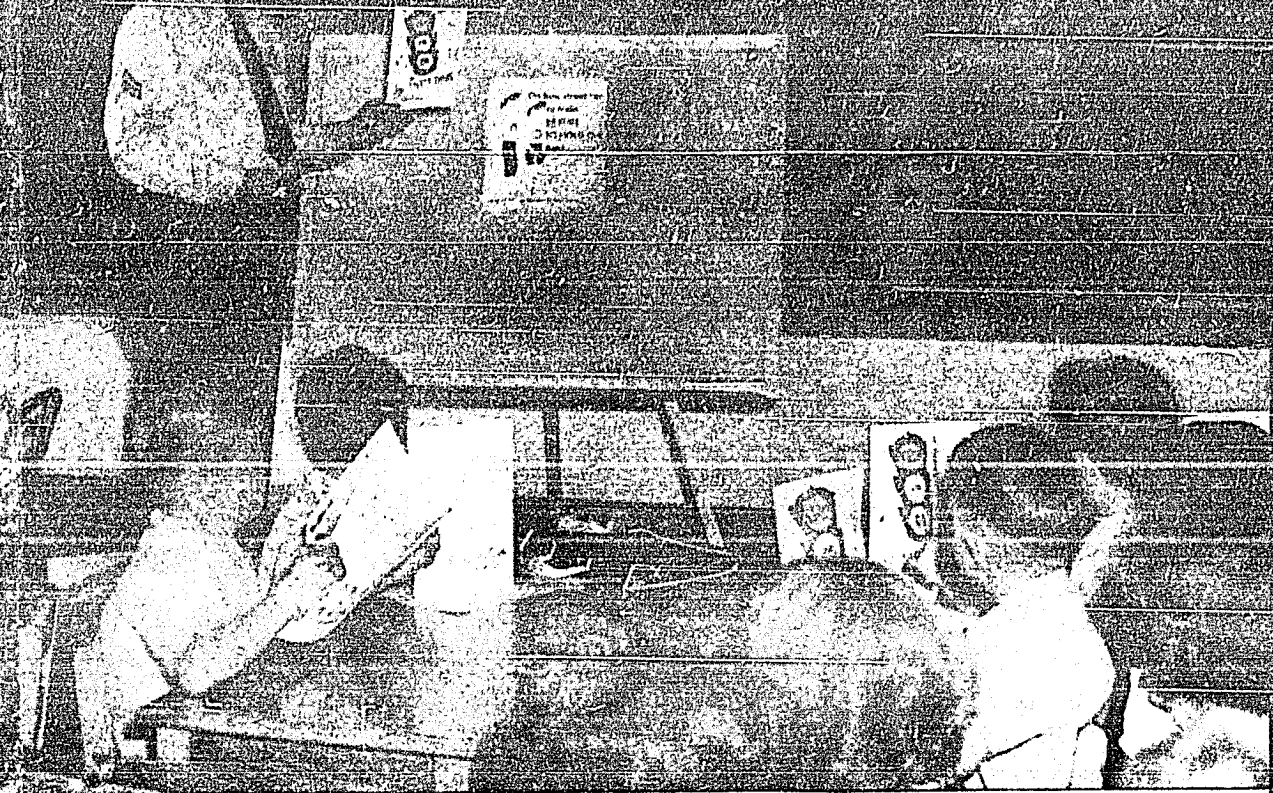




Oklahoma City: City-wide safety program featured Stop & Go; safety contest sponsored by merchants.



Meet STOP & GO, Penney's Safety Twin puppets, who are teaching millions of school children about safety. First introduced in 1953, they made an instant hit with children. Parents, teachers and others were enthusiastic too. The result was an even more intensive program of safety education last year, including a film, a picture-booklet and wall posters all having the same safety theme. To date, nearly 10 million children have learned safety from the booklets, are constantly being reminded of it by the classroom posters. Millions have seen the film on television or at school. Highly successful, this program extends help to America's greatest hope for the future: her children. Widely praised, it has been hailed by Ned H. Dearborn, president of the National Safety Council, as "one of the most energetic, inclusive and important contributions to accident prevention that has been made in this country." Children love STOP & GO, teachers and parents tell us. Children themselves write to Penney's:



Pontiac, Michigan: 20,000 school children saw Stop & Go film; shown to every public and parochial school in area. Police Department built lectures around program.

"We think STOP & GO are wonderful."
 "Thank you for trying to keep us safe."
 Last fall, many communities built safety drives around STOP & GO. In Phoenix, Arizona, the STOP & GO film was featured on the famous "Officer Jack Ashley" television show...Janesville, Wisconsin, showed the STOP & GO film to every child from first to sixth grades... Omaha, Nebraska, placed the posters in 165 school classrooms...just a few examples of the widespread enthusiasm for Penney's famous safety puppets, STOP & GO!

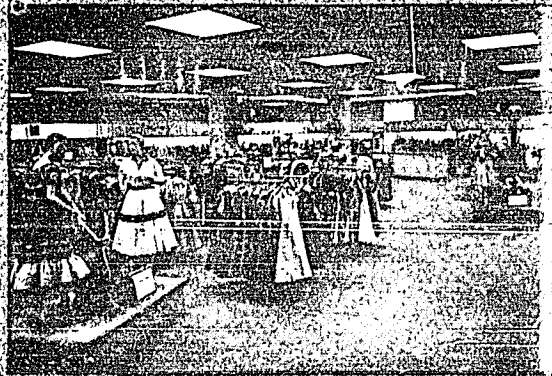


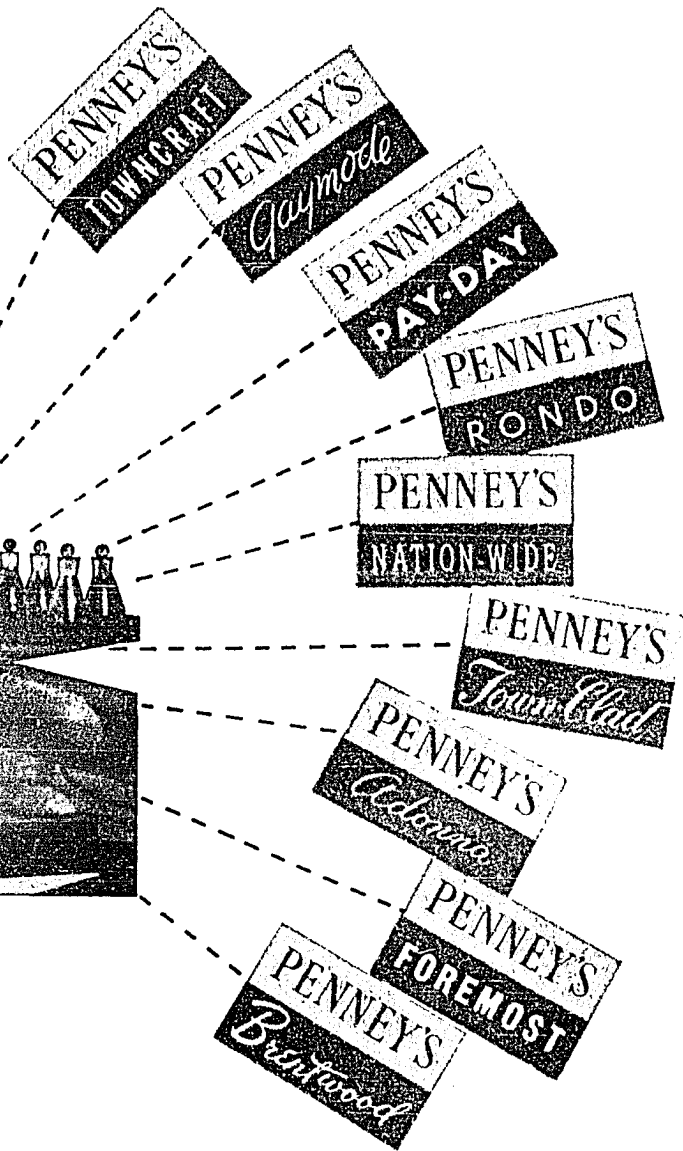
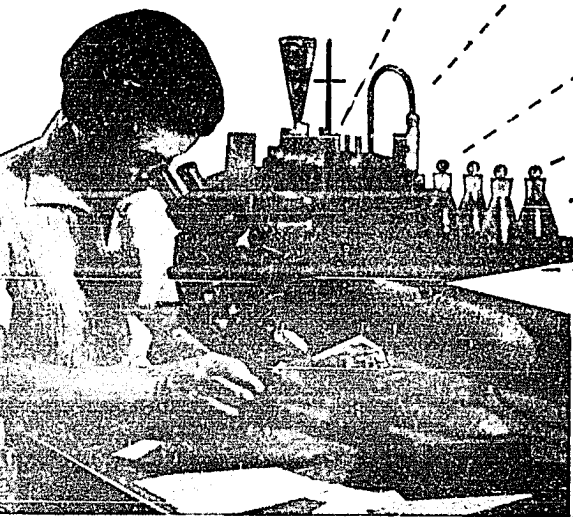
Deland, Florida: State Trooper Jim Wilder showed film to 50,000 children in 250 elementary schools.



Styling is today the most important influence in Penney merchandising, extending even to everyday items, such as bedding and towels. But always, and in ever-increasing tempo and drama, it is the essence of our wearing apparel operation. More than fifty Penney buyers, each in constant touch with a specialized segment of the fashion market, select the smart clothes which Penney stores offer our increasingly fashion-conscious customers.

The fashion floor below is typical of many serving Penney customers.





a long-time Penney Company policy, means that Penney stores sell only first quality merchandise—never “seconds” or “irregulars” or other merchandise of substandard quality. This means constant testing and vigilance. Testing—in Penney’s own laboratory, which yearly runs more than 30,000 tests. Vigilance—on the part of about 200 Penney buyers and over 10,000 suppliers working together to improve or maintain our merchandise standards. Such testing and vigilance are our best guarantees of value. They earn for Penney merchandise, and particularly our own trademarked brands, recognition and acceptance by millions of loyal Penney customers.

ASSETS

	1954	1953
Current Assets:		
Cash in banks and on hand.....	\$133,186,598.39	\$129,407,789.80
U. S. Government securities, at cost plus accrued interest (approximate market price).....	33,181,714.50	35,289,944.62
Miscellaneous notes and accounts receivable..	4,505,239.72	1,662,945.22
Merchandise (Note 1)	142,478,192.61	142,852,863.26
Total Current Assets	<u>313,351,745.22</u>	<u>309,213,542.90</u>
Property and Equipment, at not in excess of cost, less provision for depreciation:		
Land.....	2,082,060.02	2,907,375.26
Buildings, less provision for depreciation, \$4,579,- 619.11 at December 31, 1954 and \$4,038,195.45 at December 31, 1953.....	6,180,780.43	7,359,903.07
Furniture and fixtures, less provision for depreciation	41,615,446.13	35,216,853.56
Improvements to leaseholds, less amortization	4,698,784.91	4,211,218.82
	<u>54,577,071.49</u>	<u>49,695,350.71</u>
Prepaid Expenses and Deferred Charges—Leasehold Advances, Unexpired Insurance Premiums, etc.....	<u>3,352,774.78</u>	<u>2,602,753.64</u>
	<u><u>\$371,281,591.49</u></u>	<u><u>\$361,511,647.25</u></u>

NOTES:

1—Inventories are stated at the lower of cost or market determined as follows:

Merchandise in stores—by the retail method. Other Inventories—cost determined mainly by the first-in first-out method and market generally on the basis of replacement cost.

2—J. C. Penney Building & Realty Corporation (wholly owned subsidiary) was dissolved on November 30, 1954 and its assets and liabilities were transferred to the parent company. The results of the operations of the subsidiary for the eleven months ended November 30, 1954 have been consolidated with those of the parent and figures for 1953 have been consolidated for comparative purposes.

COMPANY

with comparative figures for 1953

LIABILITIES

	1954	1953
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 75,755,629.40	\$ 69,768,383.76
Dividends payable in January of following year. . .	16,463,904.00	16,463,904.00
Provision for Federal taxes on income.	45,009,902.50	56,285,751.54
	<hr/>	<hr/>
Total Current Liabilities	137,229,435.90	142,518,039.30
	<hr/>	<hr/>
Reserves for Fire Losses, Employees' Death Benefits, etc. .	3,601,757.49	3,348,315.88
	<hr/>	<hr/>
Stockholders' Equity:		
Common Stock, no par value:		
Authorized, 9,000,000 shares.		
Outstanding, 8,231,952 shares	34,122,766.67	34,122,766.67
Retained Earnings	196,327,631.43	181,522,525.40
	<hr/>	<hr/>
Total Stockholders' Equity.. ..	230,450,398.10	215,645,292.07
	<hr/>	<hr/>
	\$371,281,591.49	\$361,511,647.25

3—Under the Internal Revenue Code of 1954 the Company adopted the declining-balance method of depreciating certain property additions and provided for certain expenses payable in the succeeding year, which are apportionable to the current year. These changes which are in accordance with good accounting practice resulted in a small decrease in 1954 earnings.

4—At December 31, 1954 the total minimum annual fixed rentals payable under leases expiring after December 31, 1959 was approximately \$6,900,000.00. Leases covering about 80% of this amount expire on various dates prior to December 31, 1974.

J. C. Penney Company

Statements of Earnings and Retained Earnings
Year Ended December 31, 1954
(including earnings of J. C. Penney Building & Realty
Corporation for the eleven months ended November 30, 1954)
with comparative figures for 1953 (Note 2)

Earnings	1954	1953
Sales	<u>\$1,107,156,633.36</u>	<u>\$1,109,507,674.95</u>
Deduct:		
Cost of merchandise sold, and selling and general expenses (exclusive of items set forth below)	999,294,161.76	996,474,377.53
Maintenance and repairs.....	2,121,562.92	2,091,896.17
Depreciation and amortization.....	5,117,726.69	3,877,681.33
Taxes, other than taxes on income.....	8,949,983.95	8,734,062.25
Company contributions to retirement plans.....	5,206,000.53	5,651,557.19
	<u>1,020,689,435.85</u>	<u>1,016,829,574.47</u>
	86,467,197.51	92,678,100.48
Add miscellaneous income, including profit on sale of warehouse, less miscellaneous charges.....	<u>2,796,740.52</u>	<u>1,810,832.39</u>
	<u>89,263,938.03</u>	<u>94,488,932.87</u>
Provision for taxes on income:		
Federal (including \$7,760,000 excess profits tax in 1953)	44,650,000.00	54,986,000.00
Other income taxes.....	997,000.00	1,030,000.00
	<u>45,647,000.00</u>	<u>56,016,000.00</u>
Net earnings for the year.....	<u>\$ 43,616,938.03</u>	<u>\$ 38,472,932.87</u>
Retained Earnings		
Balance at beginning of year.....	\$ 181,522,525.40	\$ 171,861,424.53
Net Earnings for the year.....	<u>43,616,938.03</u>	<u>38,472,932.87</u>
	225,139,463.43	210,334,357.40
Dividends—\$3.50 per share..	<u>28,811,832.00</u>	<u>28,811,832.00</u>
Balance at end of year.....	<u>\$ 196,327,631.43</u>	<u>\$ 181,522,525.40</u>
Common stock outstanding at end of year.....Shares	<u>8,231,952</u>	<u>8,231,952</u>
Earnings per share.....	<u>\$5.30</u>	<u>\$4.67</u>

See notes on the accompanying balance sheet.

Accountants' Report

PEAT, MARWICK, MITCHELL & Co.

CERTIFIED PUBLIC ACCOUNTANTS

SEVENTY PINE STREET

NEW YORK 5, N.Y.

NEW YORK
ATLANTA
BALTIMORE
BIRMINGHAM
BOSTON
BUFFALO
CHICAGO
CINCINNATI
CLEVELAND
COLUMBUS
DALLAS
DENVER
DETROIT
GREENSBORO
HOUSTON
INDIANAPOLIS
KANSAS CITY
LINCOLN
LOS ANGELES
LOUISVILLE
MEMPHIS
MINNEAPOLIS
NASHVILLE
NEWARK
NEW ORLEANS
OKLAHOMA CITY
OMAHA
PHILADELPHIA
PITTSBURGH
PORTLAND
RICHMOND
ST. LOUIS
SAN FRANCISCO
SAN JOSE
SEATTLE
SHEPHERD
TULSA
WASHINGTON
WATERBURY

AFRICA
AUSTRALIA
CANADA
CONTINENTAL EUROPE
CUBA
GREAT BRITAIN
HONG KONG
INDIA
JAPAN
MEXICO
SOUTH AMERICA

The Board of Directors

J. C. Penney Company
New York, N. Y.

We have examined the balance sheet of the J. C. Penney Company as of December 31, 1954 and the related statements of earnings and retained earnings for the year then ended (including earnings of J. C. Penney Building & Realty Corporation for the eleven months ended November 30, 1954). Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of earnings and retained earnings present fairly the financial position of the J. C. Penney Company at December 31, 1954 and the results of its operations for the year then ended (including earnings of J. C. Penney Building & Realty Corporation for the eleven months ended November 30, 1954), in conformity with generally accepted accounting principles applied on a basis consistent in all material respects with that of the preceding year.

PEAT, MARWICK, MITCHELL & CO.

New York, N. Y.
March 1, 1955

J. C. Penney Company

A Delaware Corporation

330 West 34th St., New York, N. Y.



Directors

J. C. PENNEY, chairman

F. A. BANTZ

F. W. BINZEN

J. F. BROWN

J. I. H. HERBERT

A. W. HUGHES

L. W. HYER

G. E. MACK

E. A. ROSS

H. H. SCHWAMB

H. F. TORREY



Officers

J. C. PENNEY

Chairman of the Board

A. W. HUGHES

President

G. E. MACK

Executive Vice President and Treasurer

F. A. BANTZ

Vice President - Merchandise

W. M. BATTEN

Vice President

R. C. WEIDERMAN

Comptroller

J. F. BROWN

Vice President - Real Estate

H. H. SCHWAMB

Vice President - Personnel

H. F. TORREY

Vice President - Sales

A. J. RASKOPF

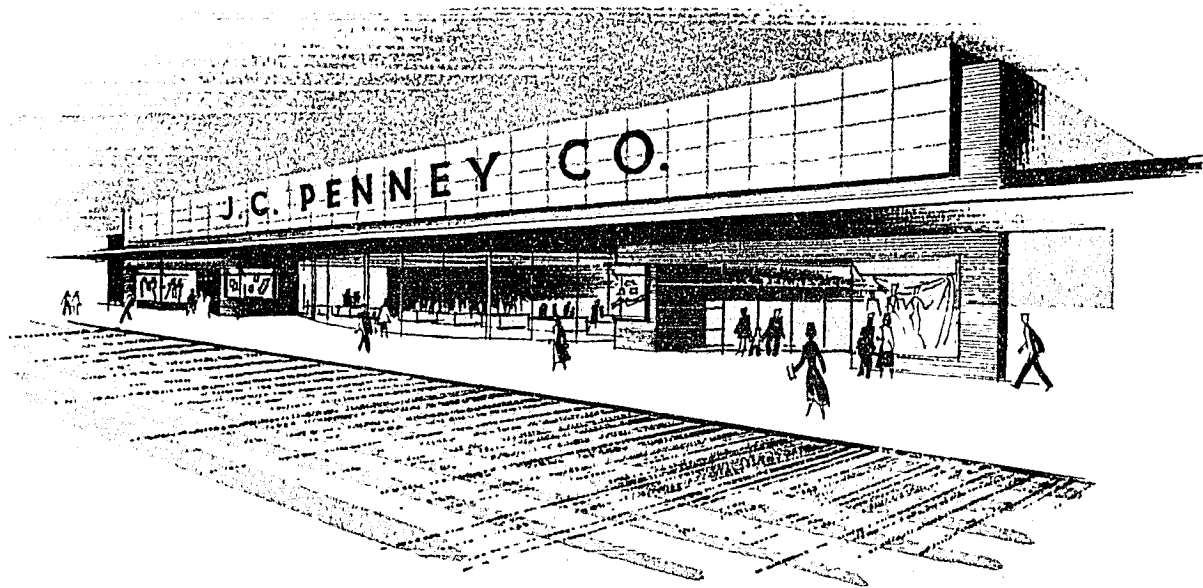
Secretary

Looking Ahead

There's an old saying that goes like this: "The farther you get from one Penney store the closer you get to another." In 1955 you'll be even closer to Penney's wherever you go since approximately 30 new stores will be completed in areas not previously served by Penney's. These stores will join 1,644 others to bring Penney values and shopping advantages to millions of new customers, including Penney stockholders. For many of them are also enthusiastic shoppers in Penney stores, welcoming the opportunity to support their Company while enjoying quality merchandise at thrifty prices. To all our stockholders we extend a cordial invitation to visit the nearest Penney's often in 1955.

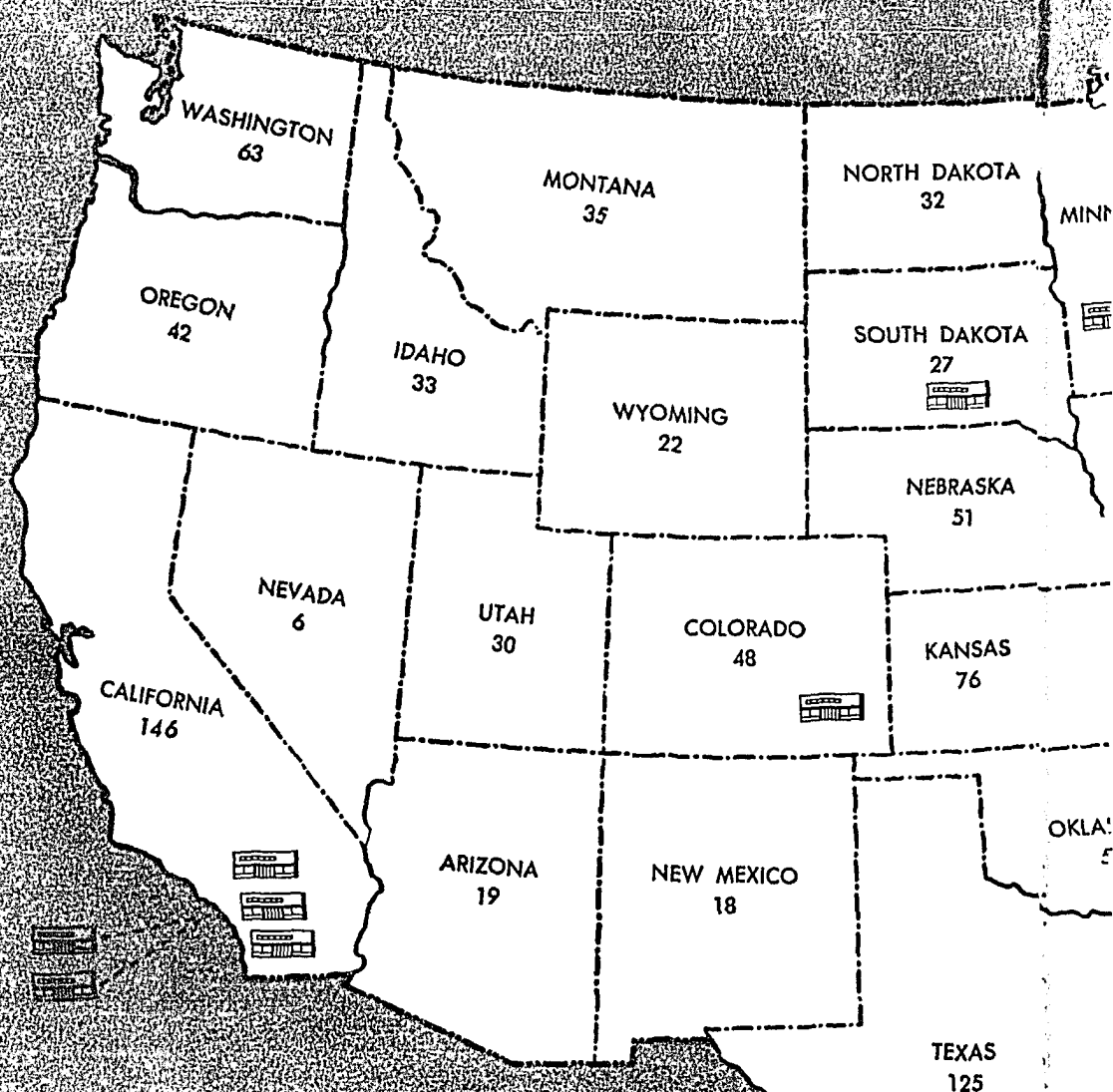
A map showing the location of new stores scheduled to be opened in 1955 appears on the following pages.

Typical of the many new Penney stores is this building planned for a new shopping center near Rochester, New York



GROWING WITH THE NATION

Plans call for open



 ... New Store

In addition to the 30 new stores, 37 stores will be moved to new locations and 127 stores will be improved in the same location.

Number Shows Stores in State

opening approximately 30 new Penney stores in 1955!

